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JUNE 2 - 4

The Current Economic Conditions

Dr. Paul Isely

The Current Economic Conditions

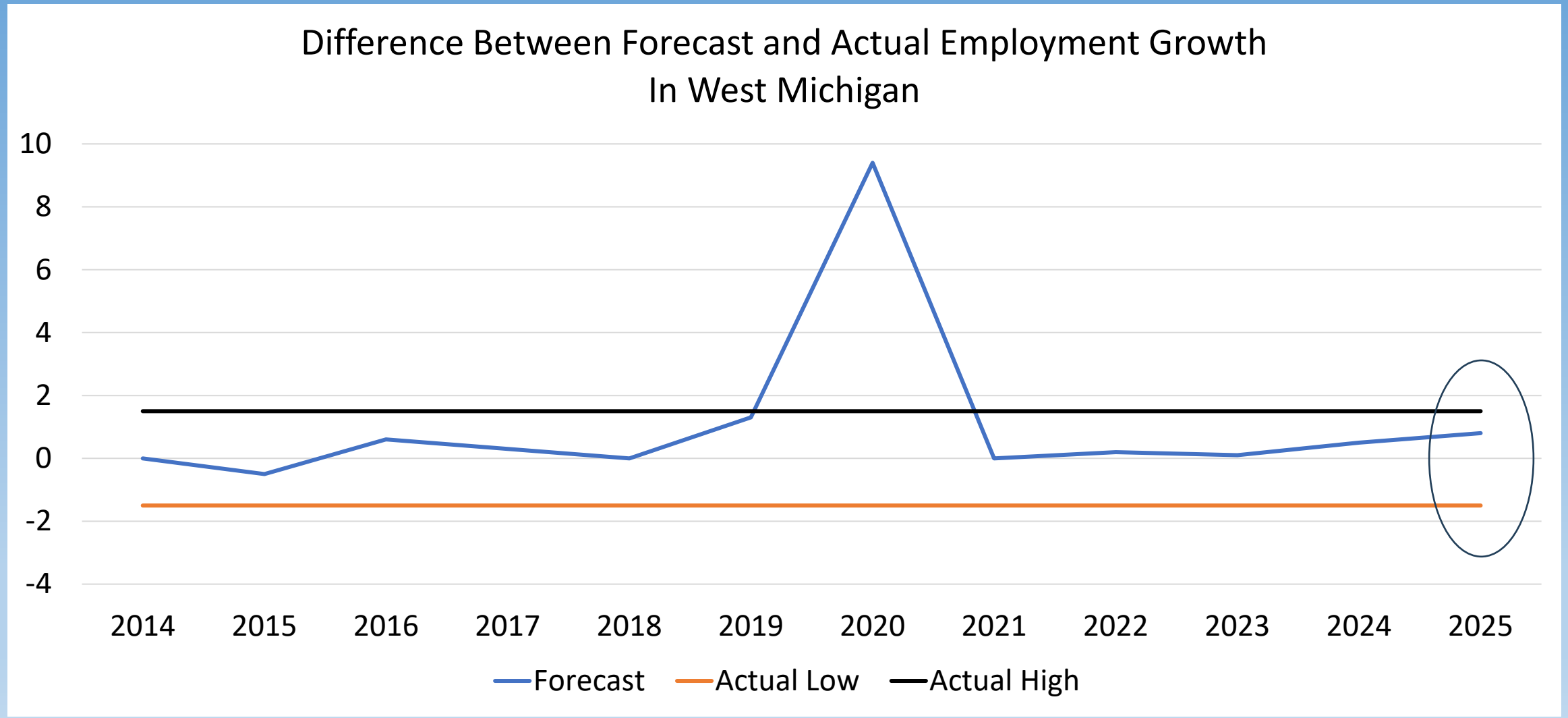
Dr. Paul Isely

Seidman College of Business

Grand Valley State University

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How We Did Last Year - Employment



Source: BLS and Isely calculations

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Things Were Starting To Improve
Then
IRAN

Consumers Are Stressed

Business Plans Are Disrupted

Government Policies Are Slowing Business Investment

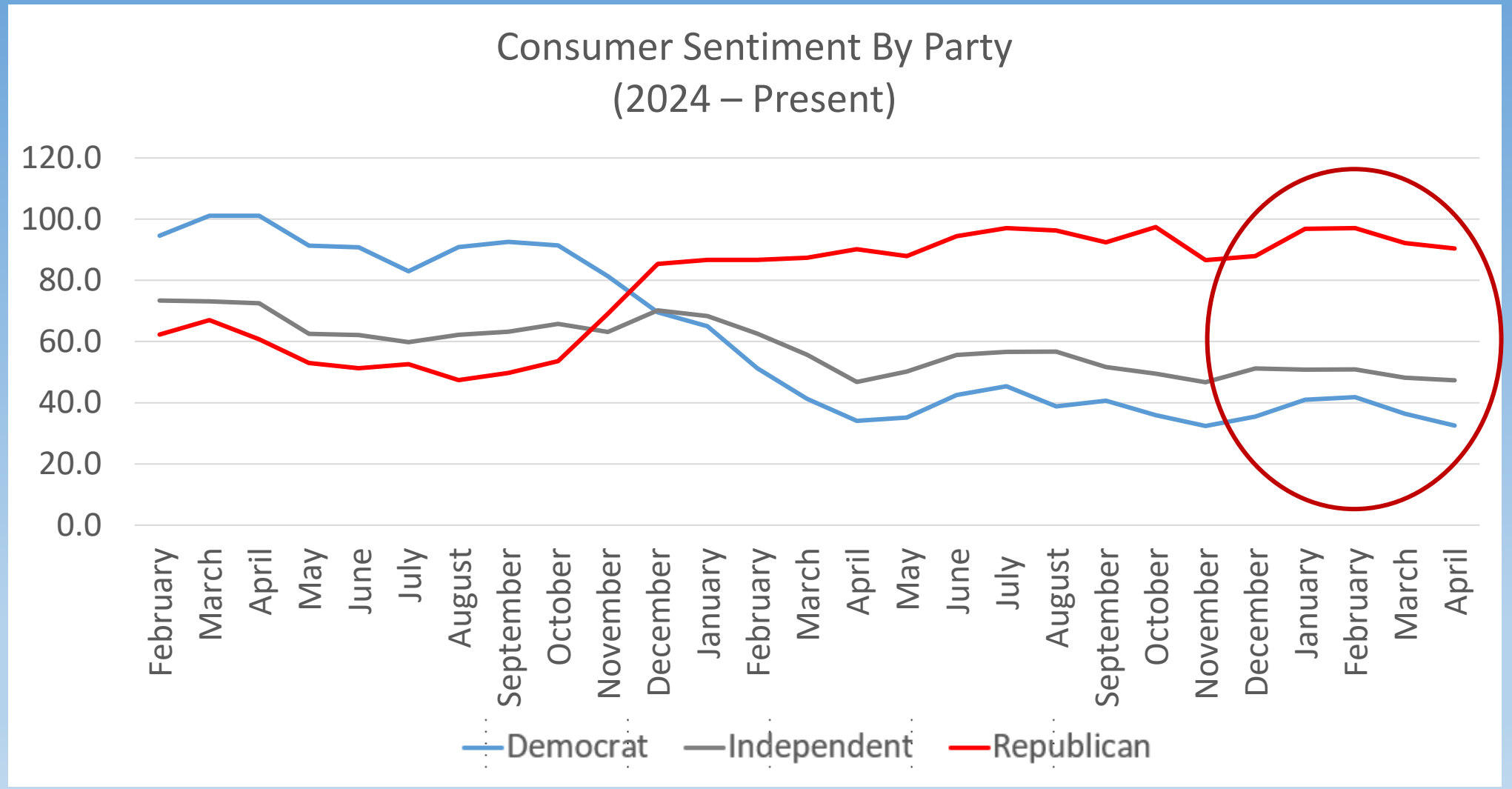
AI Slowing Employment

Housing Costs Hurting Growth

Demographics Are A Problem

Consumers Are Stressed

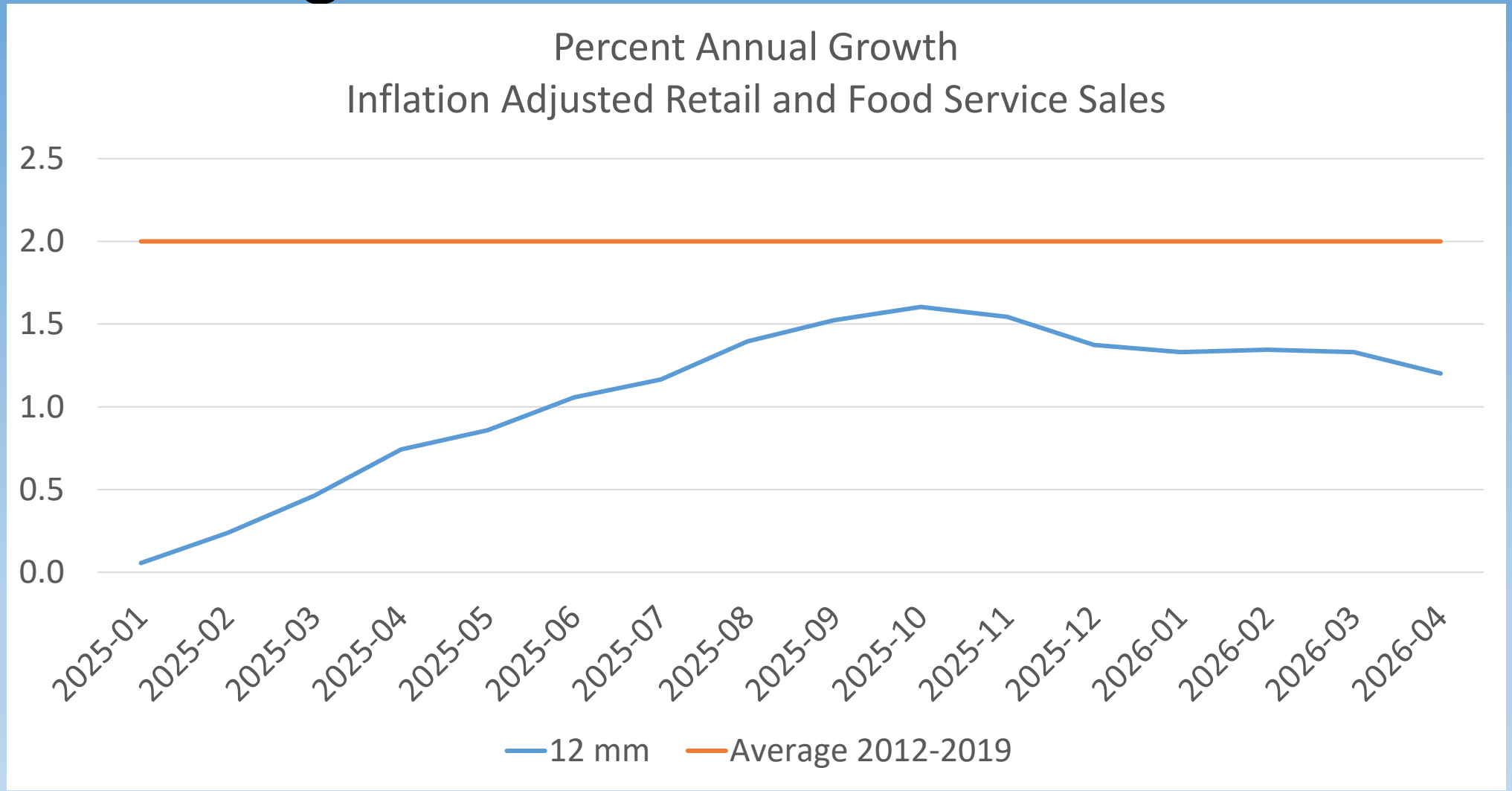
Party Matters



Source: University of Michigan

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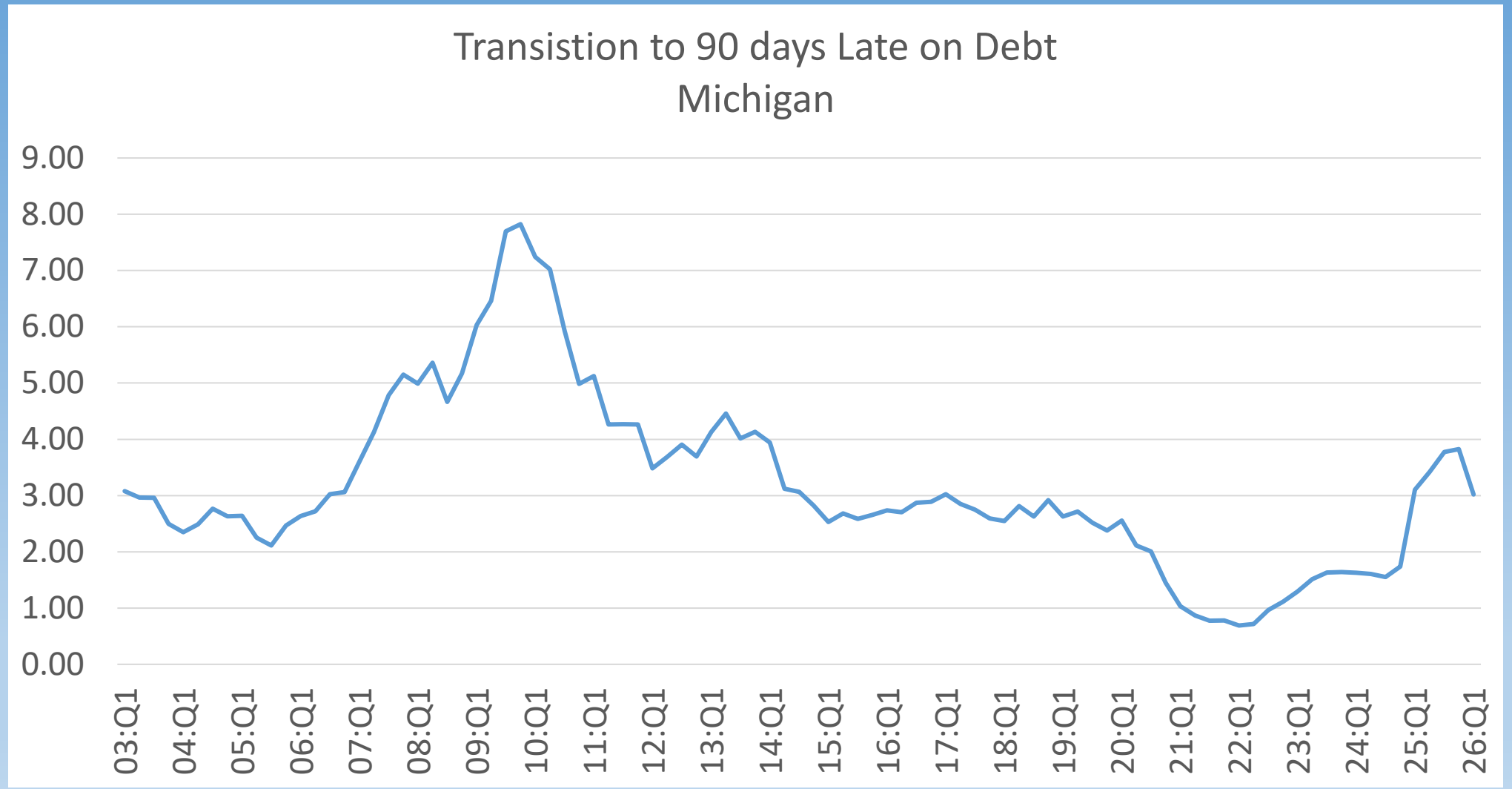
Retail Sales Growing Slower Than Normal And Slowing



Source: Federal Reserve Bank of St Louis

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Before Iran War Things Were Getting Better

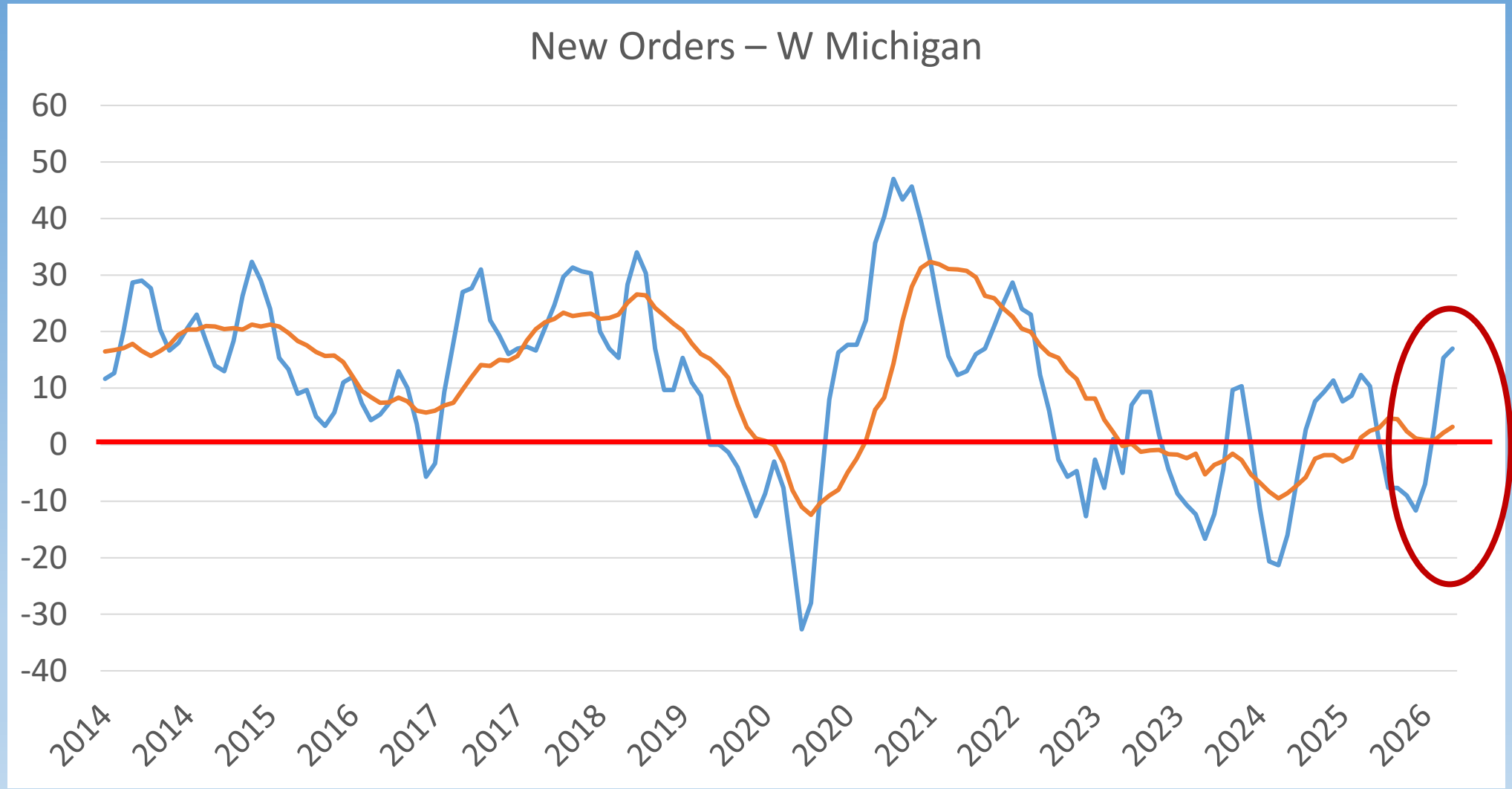


Source: NY Fed Credit Panel

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Iran War Causing Immediate Disruption

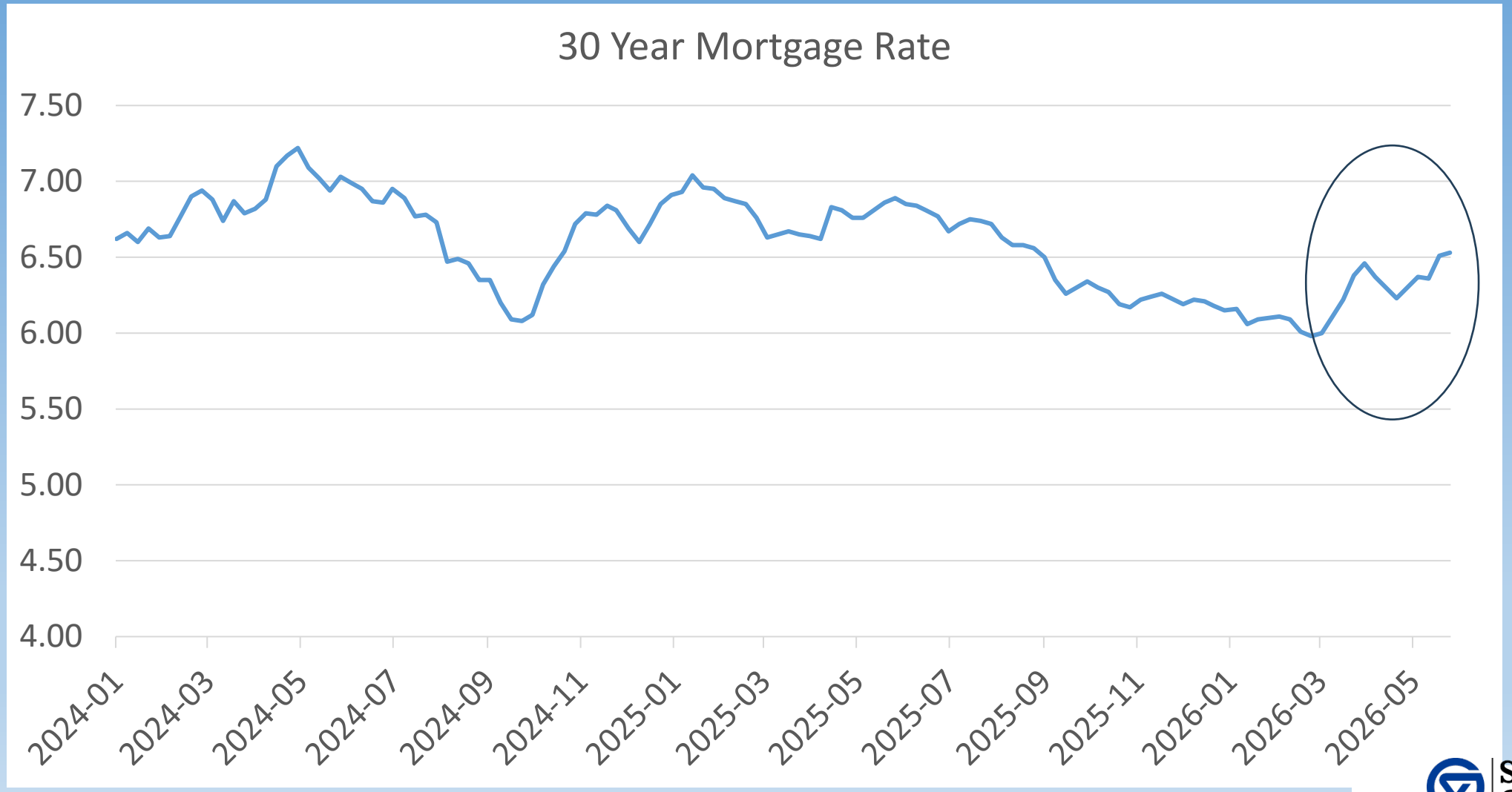
Manufacturing Strengthening Before War



Source: GVSU PMI Survey

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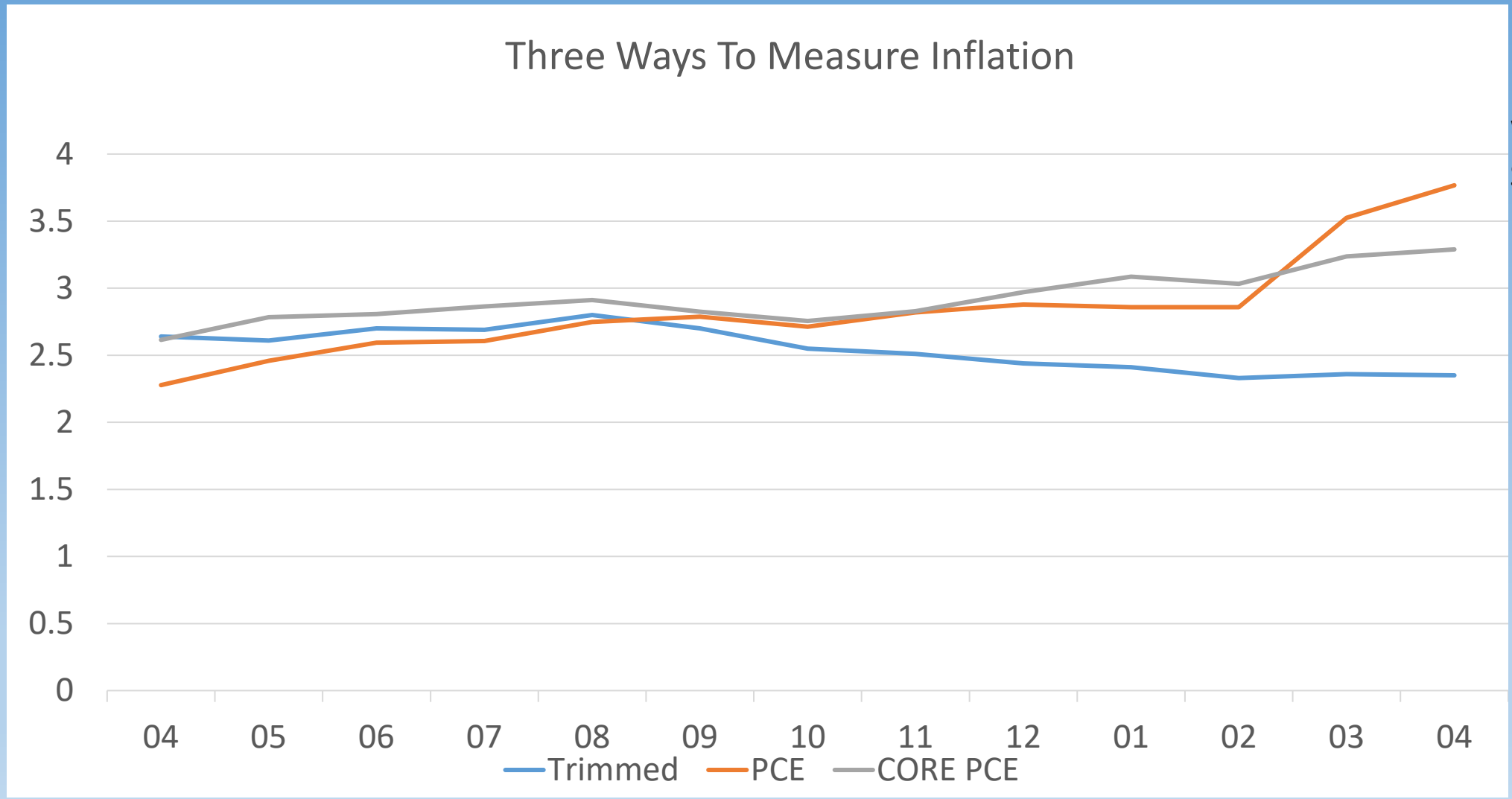
Interest Rate Disrupter



Source: Federal Reserve

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An Aside - Warsh Argument For Not Raising Rates



What Consumers See

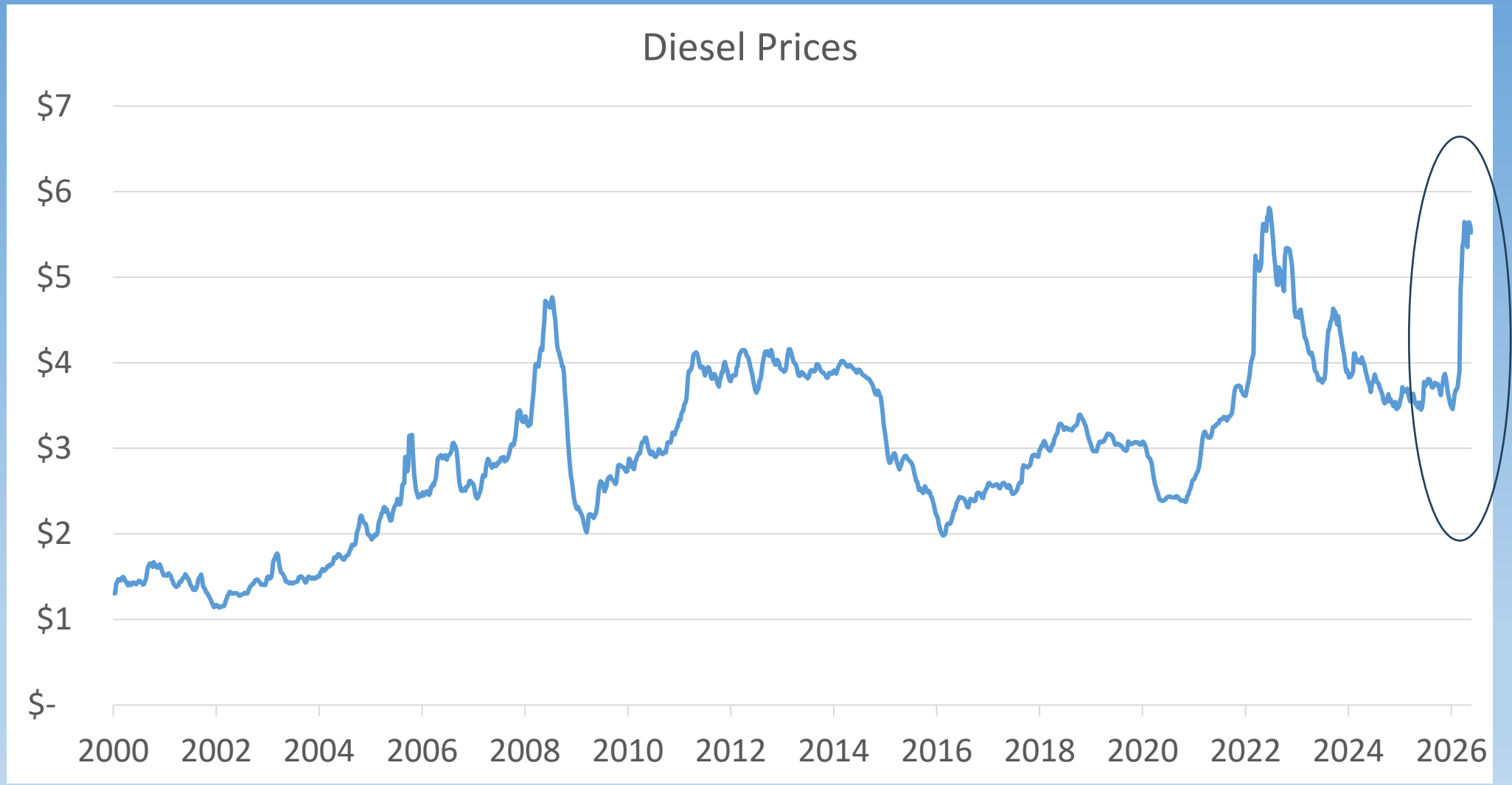
Powell's Preferred Measure

Warsh's Preferred Measure

Source: Federal Reserve

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Energy Costs

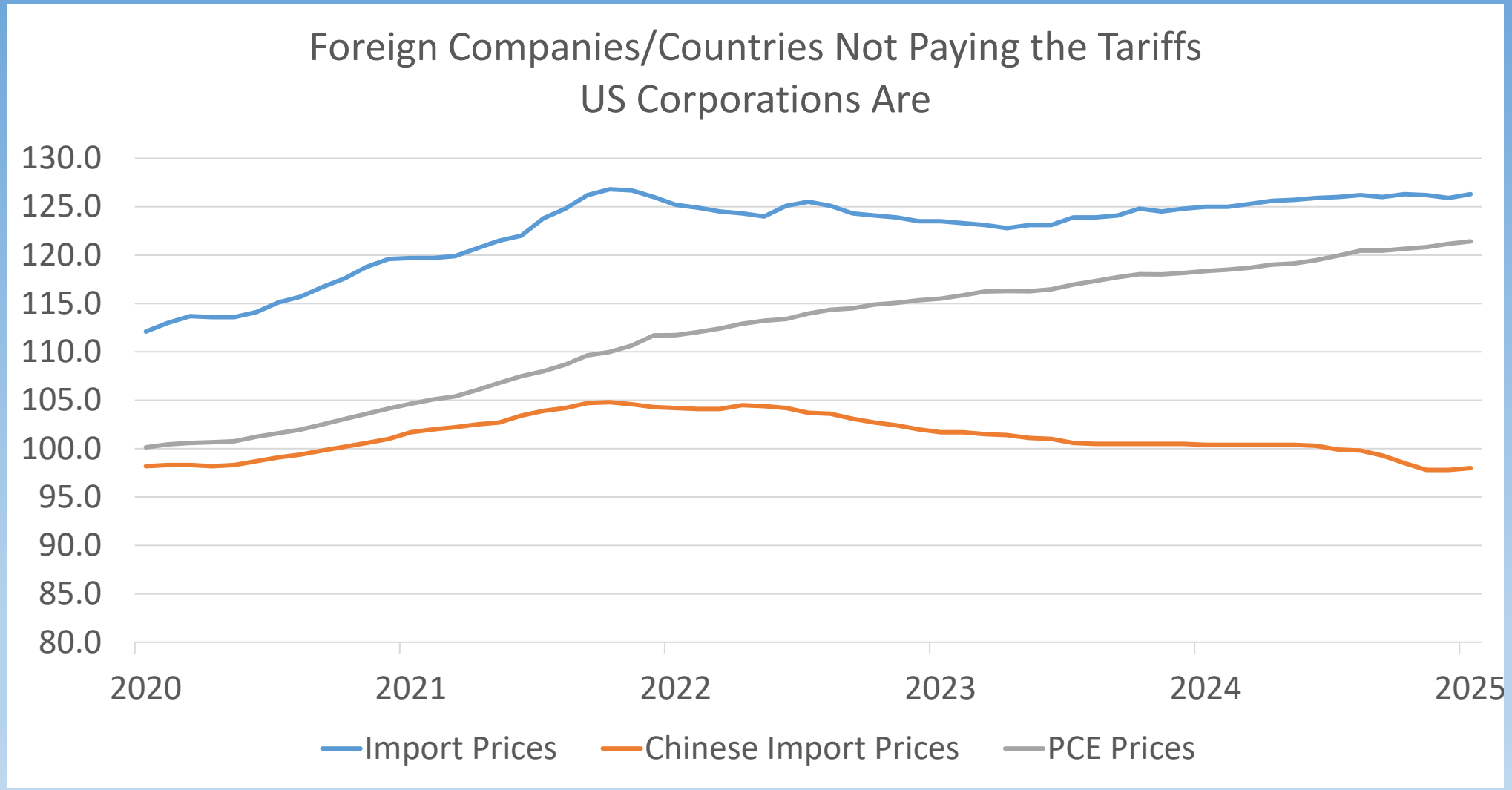


Source: EIA

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Government Is Slowing Business Investment

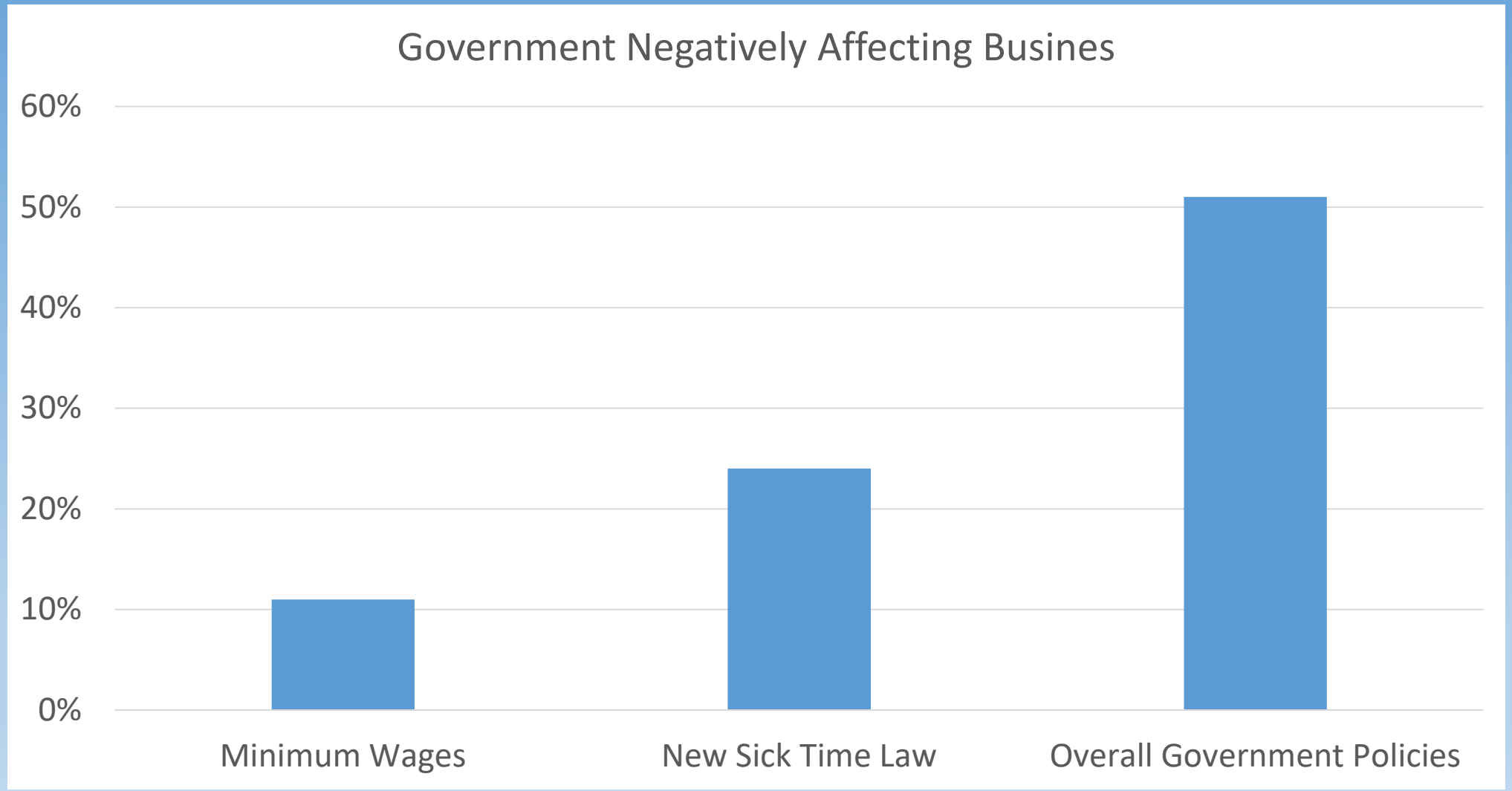
Tariffs Thinning Margins



Source: BEA and BLS

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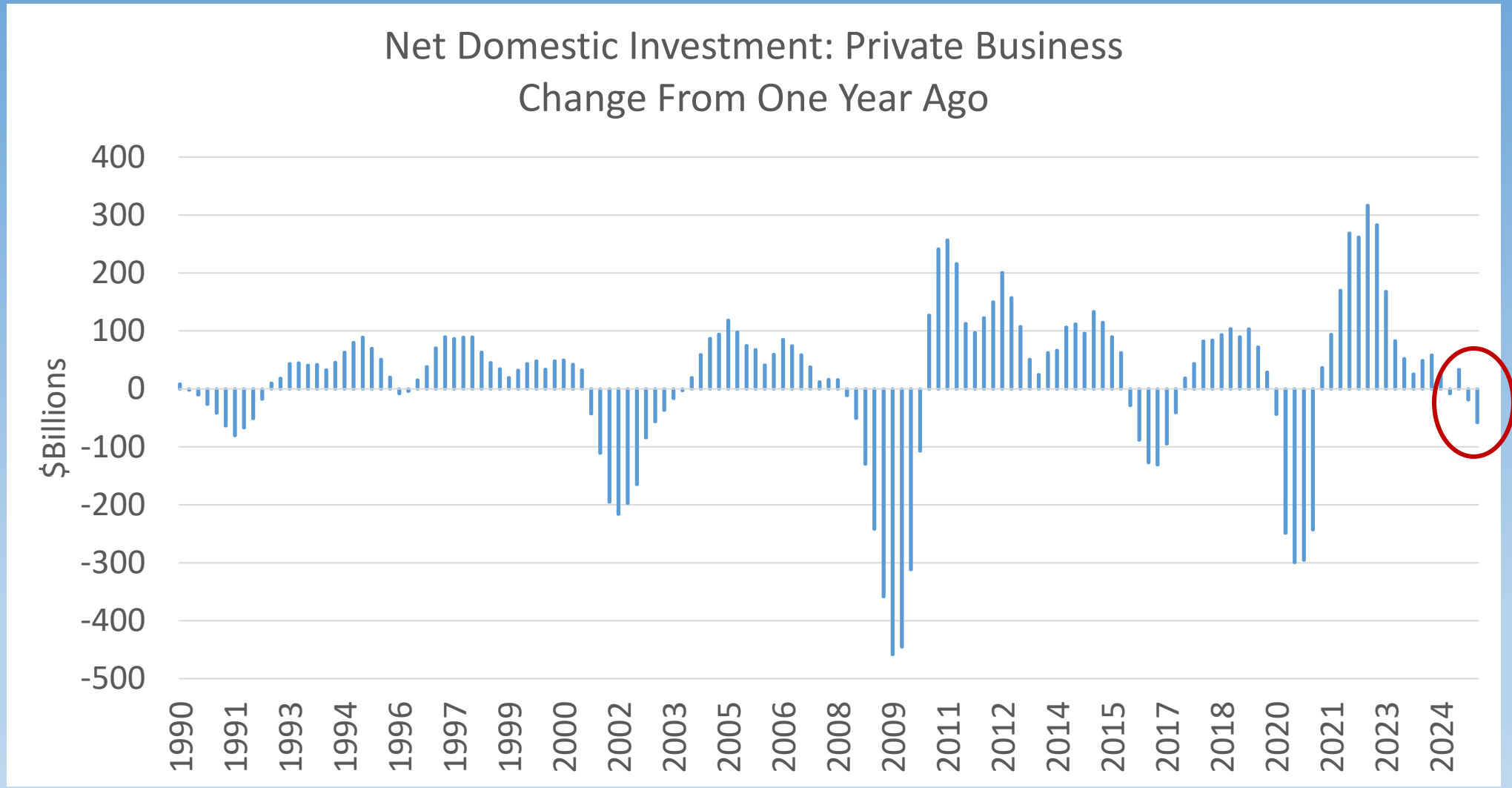
State Of Michigan Policies



Source: Isely – Chamber Survey

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Net Investment Slowing – Even With AI Investment

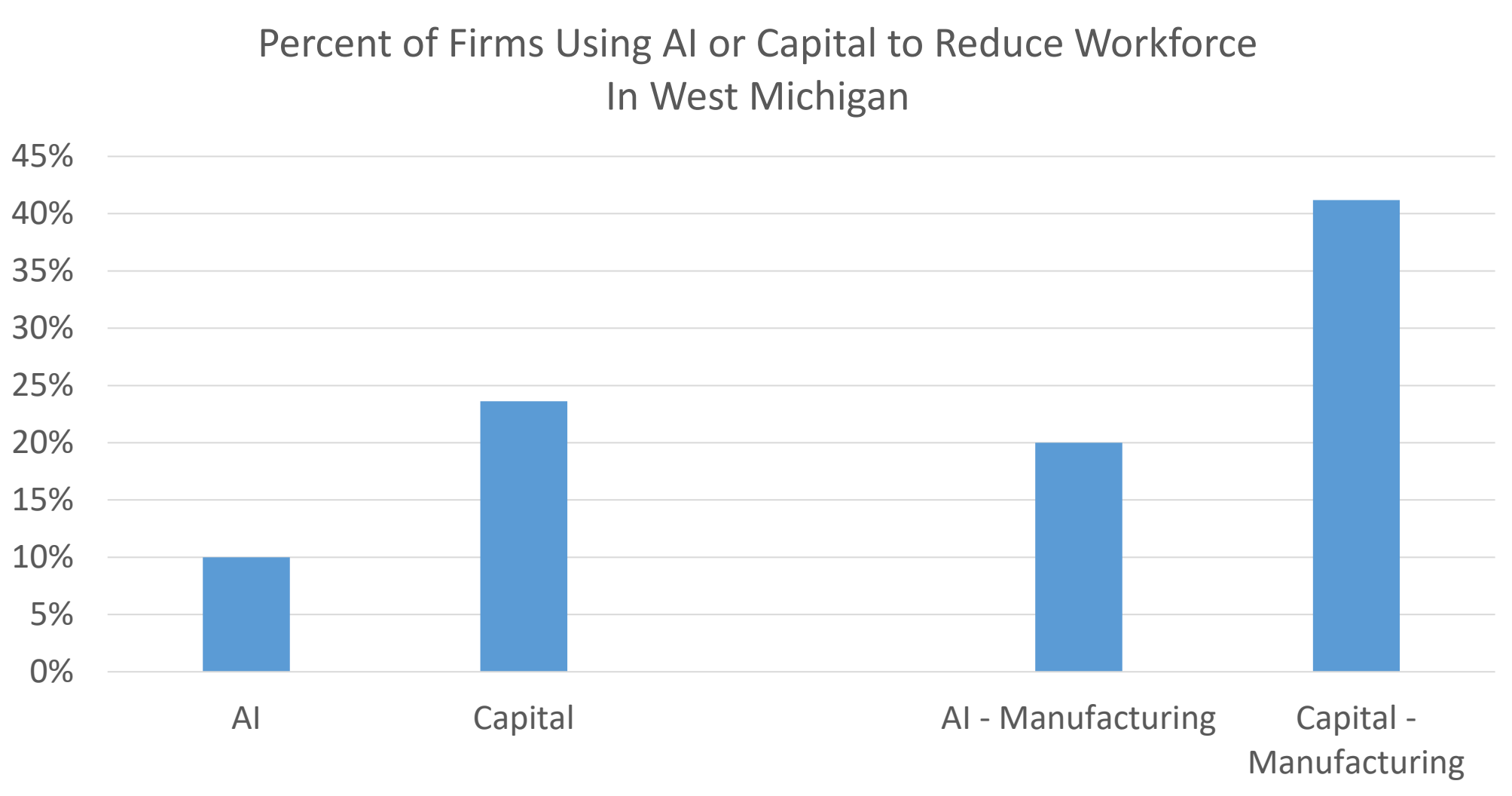


Source: BEA

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AI and Automation Slowing Employment

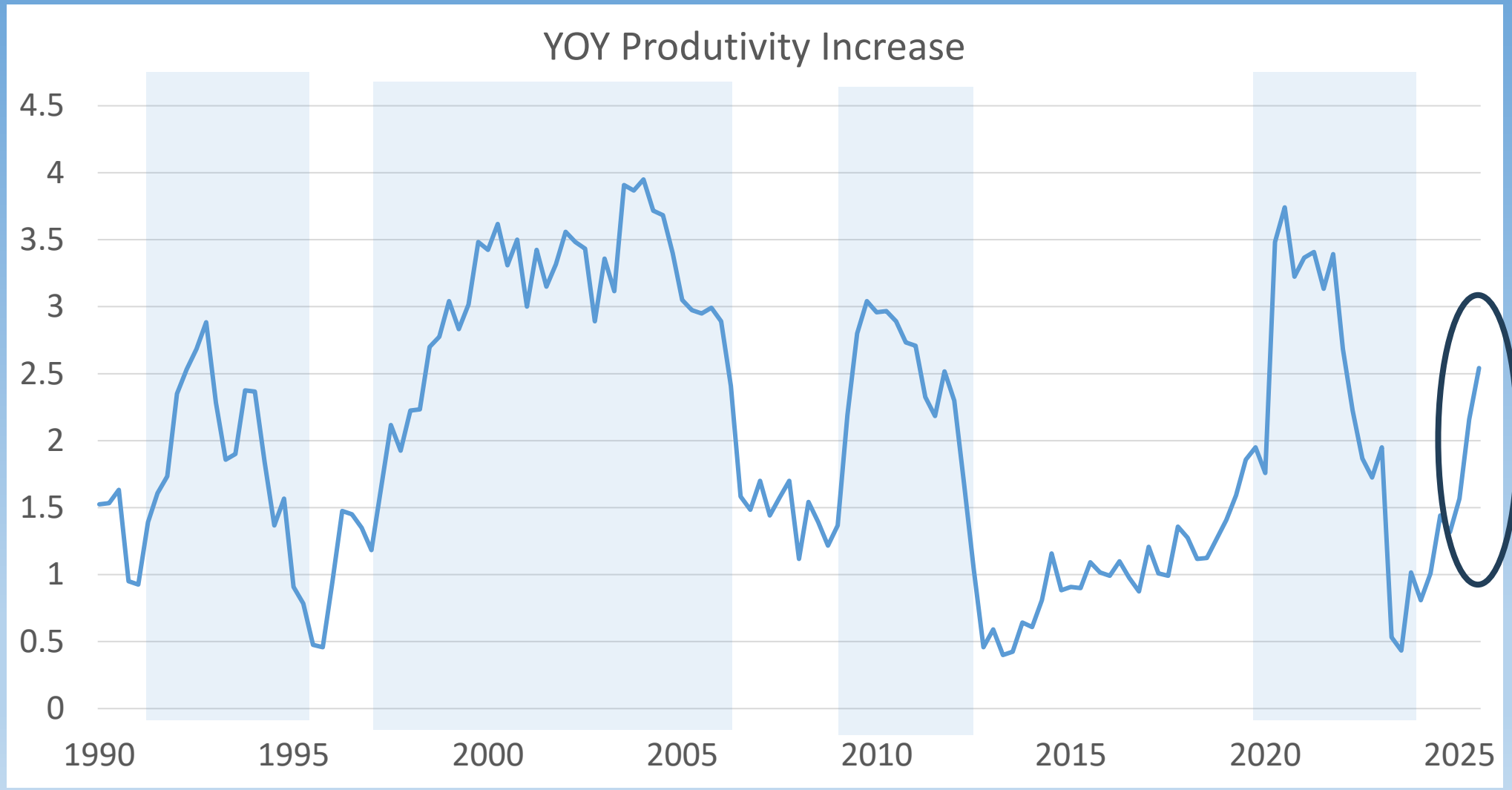
Decreasing Need for Labor



Source: Isely – Chamber Survey

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AI and Cost Cutting Increasing Productivity

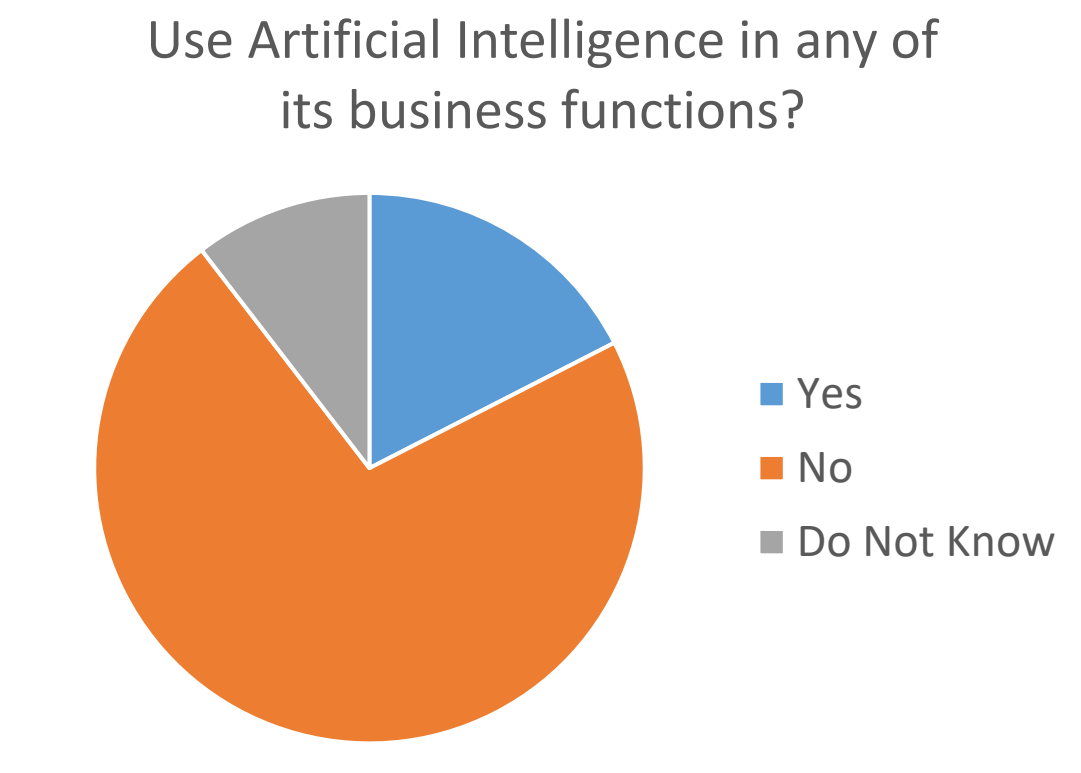


Source: BLS and Isely Calculations

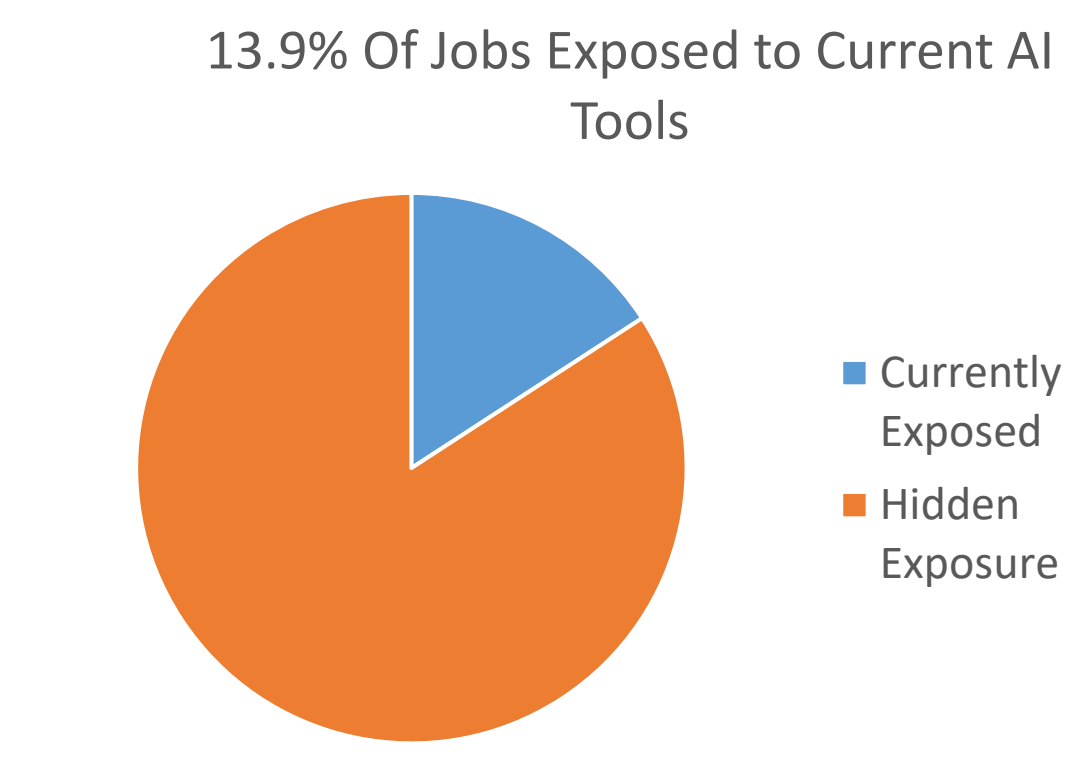
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Only 1/6th of AI Changes to Workforce Done

Census BTOS Survey



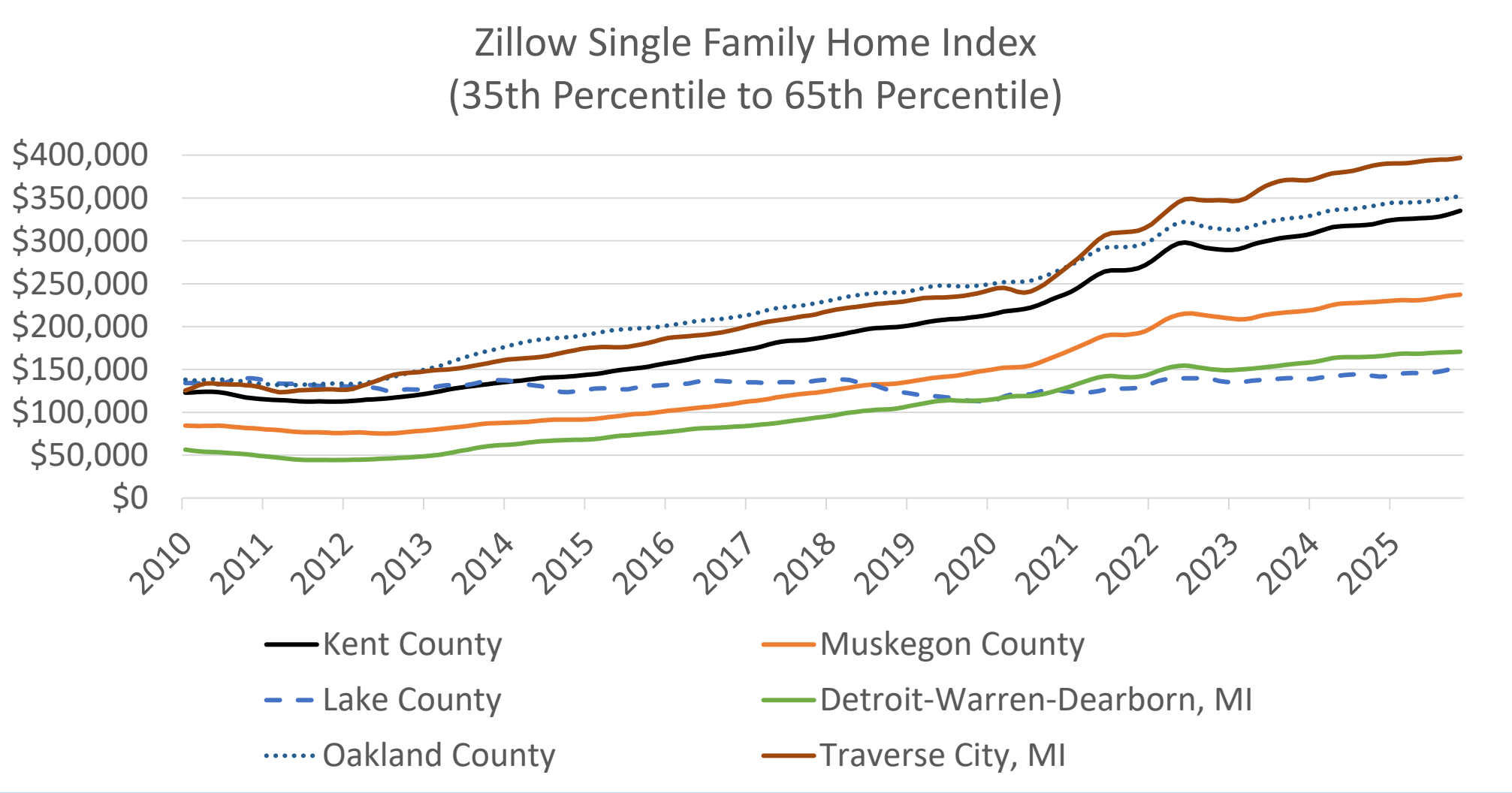
MIT Iceberg Study



Source: Census and MIT with Author Calculations

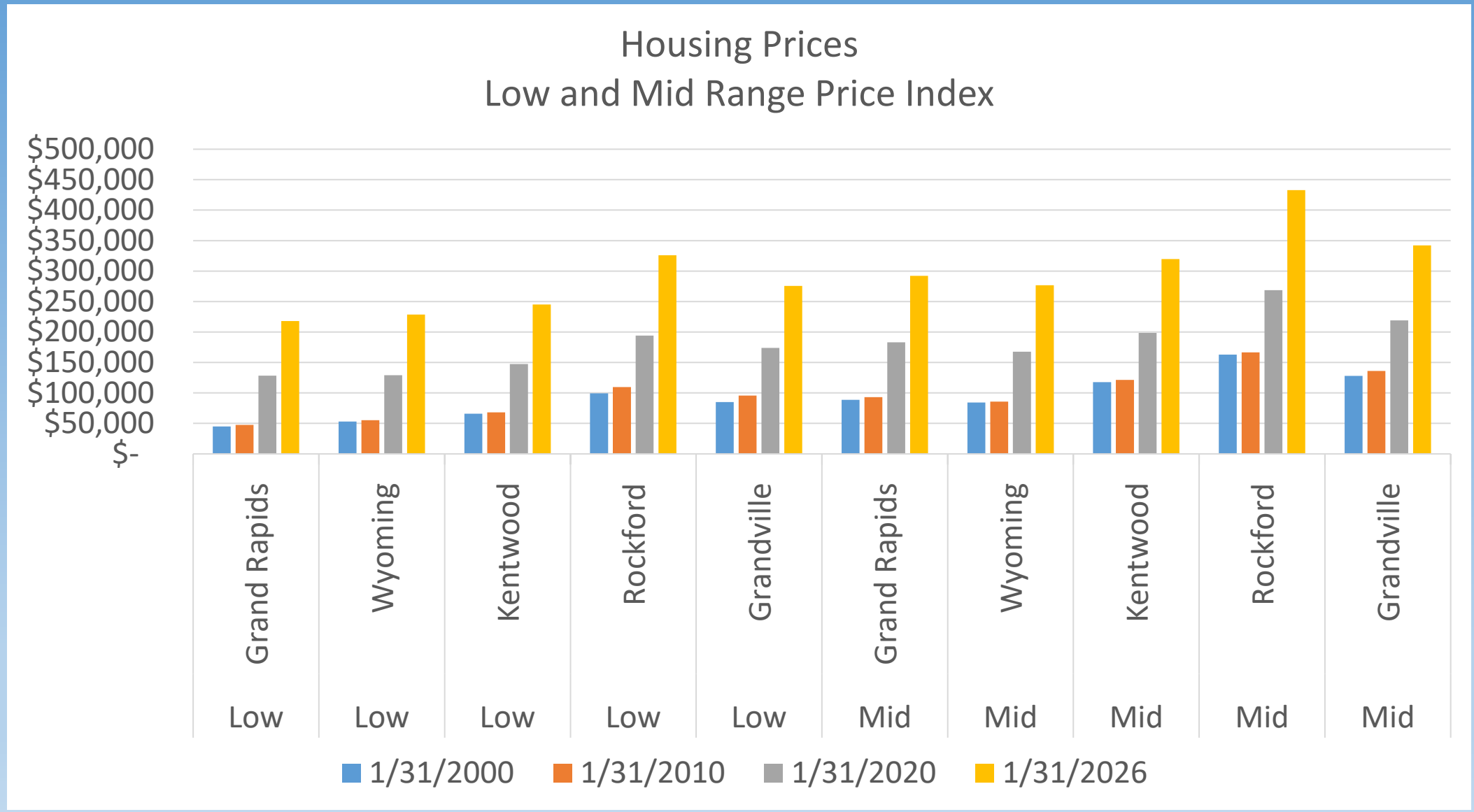
Housing Issues

Housing Price Increase Are Flat Middle Market



Source: Zillow Price Index

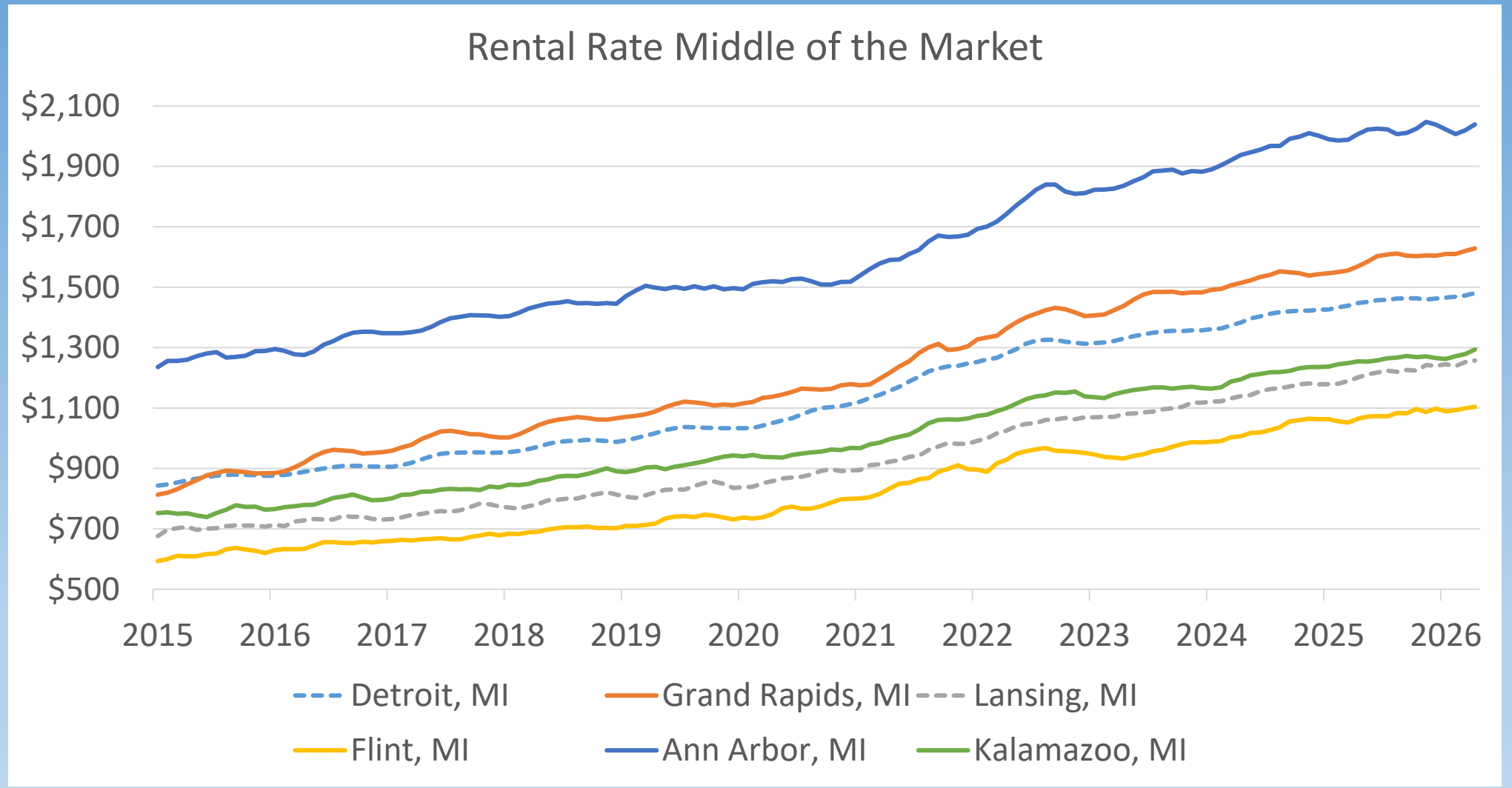
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Source: Zillow Price Index

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Rents Doubled Over 10 years in Most Markets

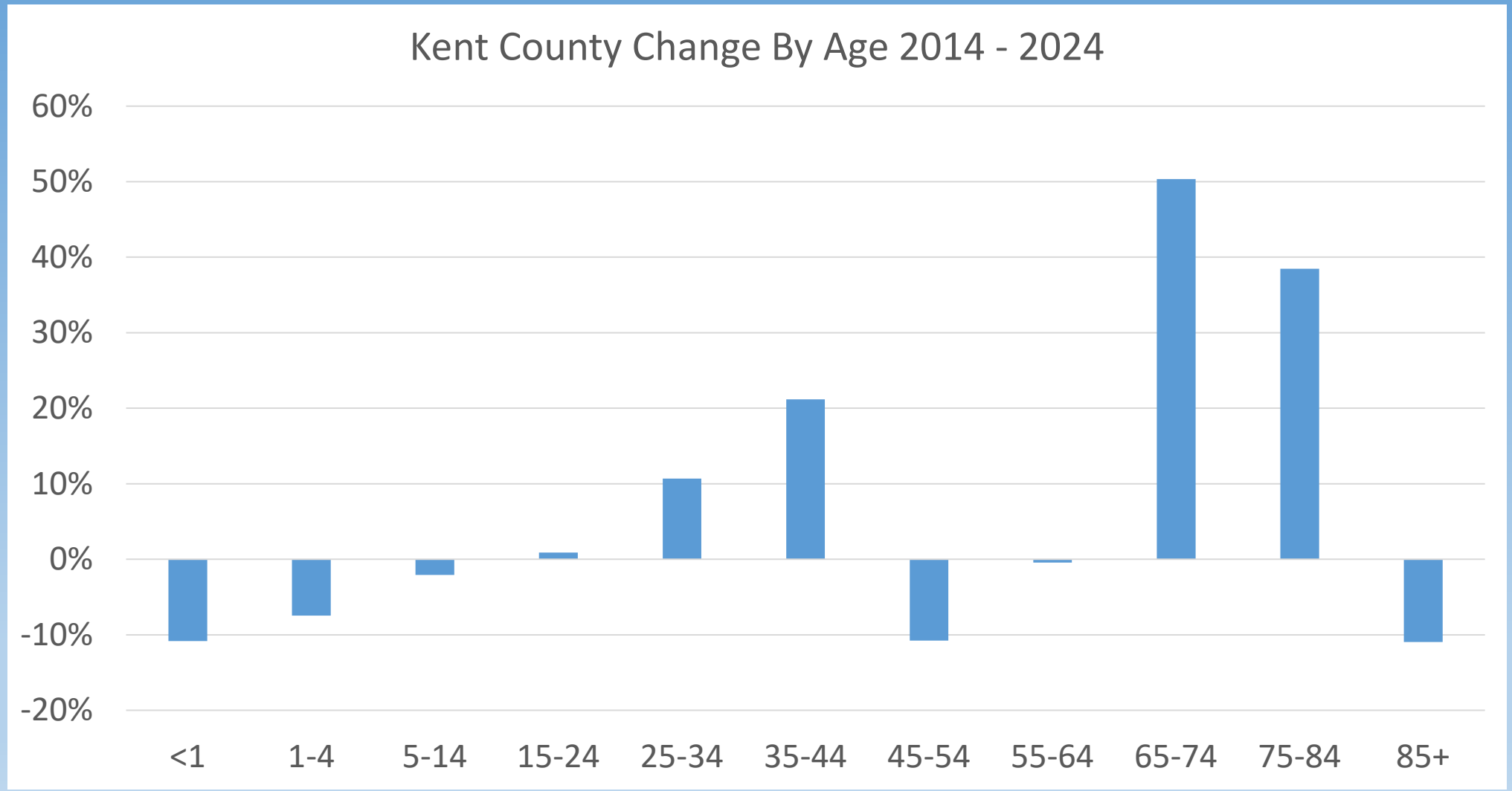


Source: Zillow Price Index

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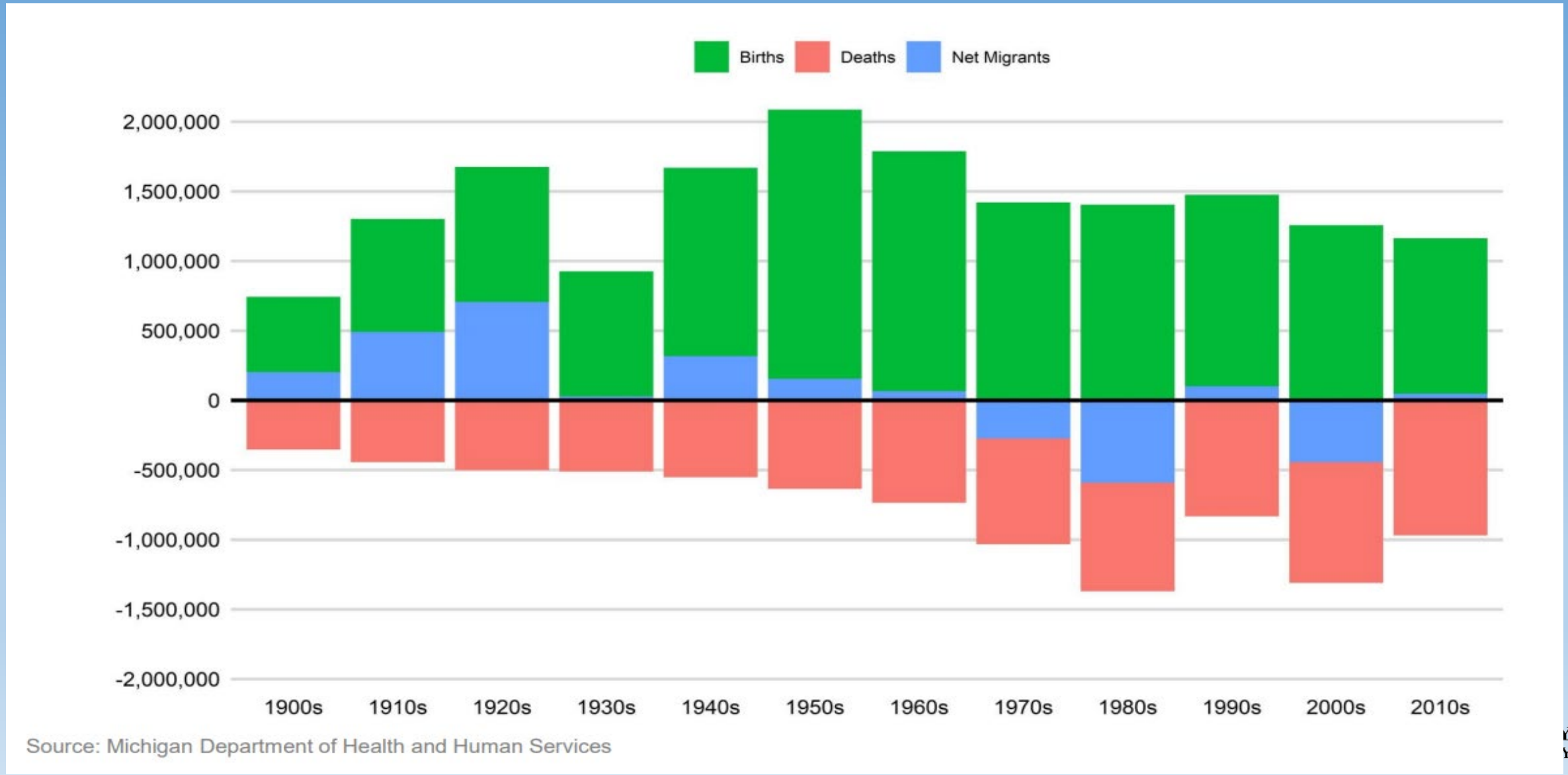
Demographics Slowing Some Markets

Young Population Shrinking Fast



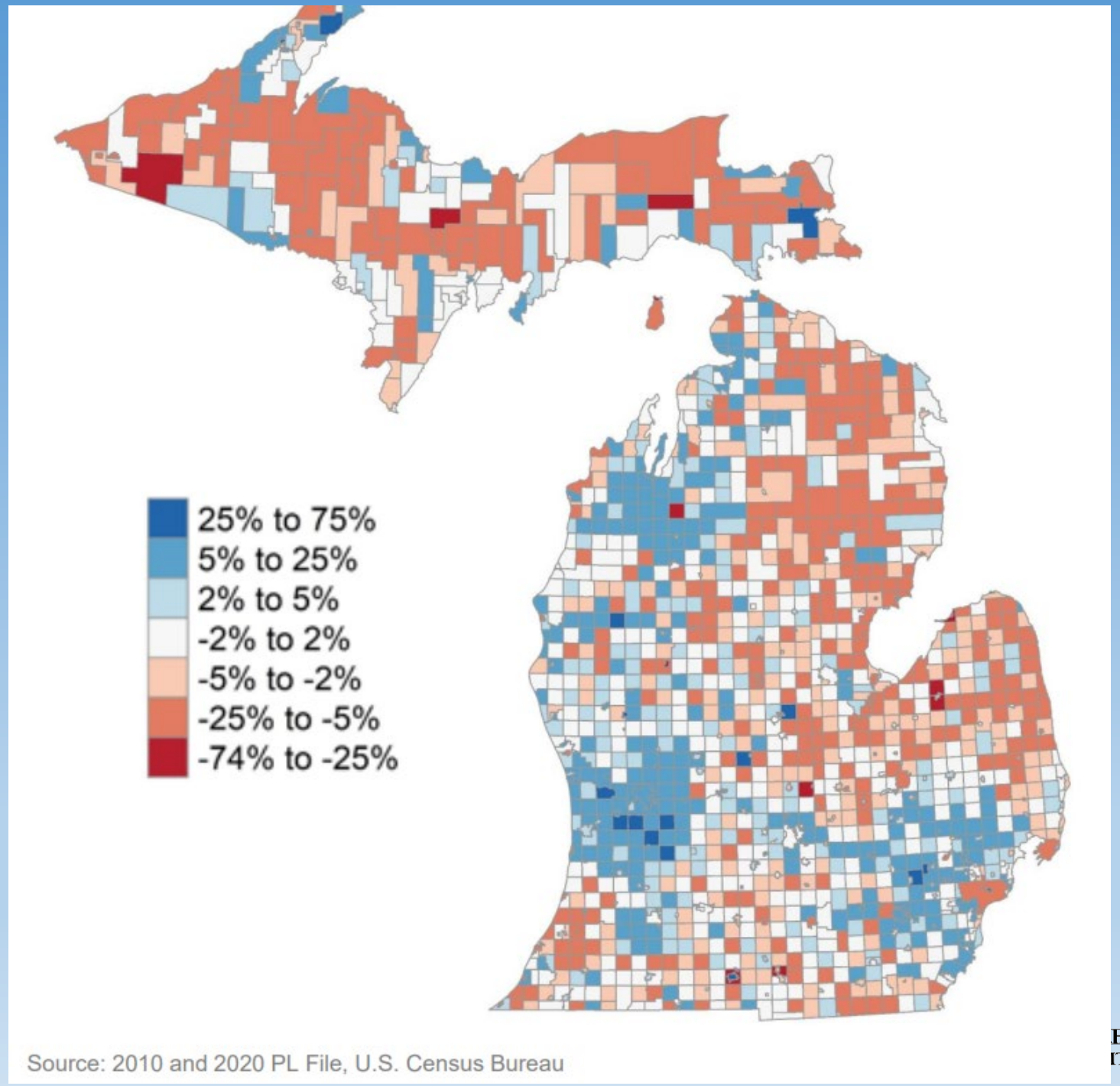
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Births Declining and Deaths Increasing



Source: Michigan Department of Health and Human Services

Growth Uneven



Jaclyn Butler, PhD State Demographer

Overall

OVERAL

Survey Results	2025	Acual(2025)	2026	2026 Adj
Current Business Confidence	74%		71%	
Future Business Confidence	76%		69%	
Sales Growth	2%	3%	3%	
Employment Growth	1%	1%	0%	
Wage Growth	3%	5%	3%	
Inflation (adj)	3%	3%	3%	3.5-4.5%

Employment and Wages YOY
September

Inflation YOY December

Sales Growth Proxie of Total Wages

Source: Isely – Chamber Survey

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Take Aways

- **Iran will become an increasing problem**
- **Consumers stressed**
- **Tariffs began creating measurable effects in July**
- **Changes in productivity making us better off…. But slowing job growth**
- **AI investment hiding weakness elsewhere in economy**
- **Interest rates will drop if war ends**
- **Federal government moving to expansionary**
- **“Red” areas will be willing to take riskier investments**
- **Price Increases continue**